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# Brinco

LIMITED

Annual Report 1978







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APR - 9 1979

## Directors and Officers

George Baker  
Victoria, British Columbia

\* E. Jacques Courtois, Q.C.  
Montreal, Quebec  
Partner,  
Courtois, Clarkson,  
Parsons & Tétrault

\* Hugh R. Snyder  
Toronto, Ontario  
President and  
Chief Executive Officer  
Brinco Limited

Lewis W. Foy  
Bethlehem, Pa.  
Chairman,  
Bethlehem Steel Corporation

\* Jean-Paul Gignac  
Montreal, Quebec  
President and  
Chief Executive Officer,  
Sidbec-Dosco Limited

\* Sam Harris  
New York, N.Y.  
Partner,  
Fried, Frank, Harris,  
Shriver & Jacobson

Ryuta Kawasaki  
New York, N.Y.  
Executive Vice-President,  
Marubeni Corporation

Harry W. Macdonell, Q.C.  
Toronto, Ontario  
Partner,  
McCarthy & McCarthy

Edmund L. de Rothschild, T.D.  
London, England  
President,  
N. M. Rothschild & Sons Limited

Harold L. Snyder  
St. John's, Newfoundland  
Director,  
Centre for Cold Ocean  
Resources Engineering

\* Sir Mark Turner  
London, England  
Chairman and  
Chief Executive,  
The Rio Tinto-Zinc  
Corporation Limited

\* Member of the Executive  
Committee

Sir Mark Turner  
Chairman

Hugh R. Snyder  
President and  
Chief Executive Officer

P. H. Grimley, Ph.D.  
Vice-President

J. C. O'Rourke  
Vice-President

N. M. Peters  
Vice-President,  
General Counsel  
and Secretary

J. J. Goodchild, C.A.  
Comptroller

T. H. Lewis  
Treasurer

### Registered Office:

Suite 1101,  
Royal Trust Building,  
Water Street,  
St. John's, Newfoundland  
A1C 5J9

### Executive Office:

Suite 210,  
33 City Centre Drive,  
Mississauga, Ontario  
L5B 2S8

### Registrar and Transfer Agent:

The Royal Trust Company,  
St. John's, Newfoundland;  
Montreal, Quebec;  
Toronto, Ontario

### Shares Listed:

Montreal Stock Exchange  
The Toronto Stock Exchange



# Brinco

LIMITED and subsidiaries

## From the Chairman



Sir Mark Turner

During the course of the year, certain changes occurred within the Company's management group which are deserving of some comment.

In July, Donald R. De Laporte resigned as President and Chief Executive Officer, having served in that capacity since October 1975. He has been retained as a consultant to the Company.

Mr. De Laporte was succeeded by Graeme A. Elliot, a senior staff member of Conzinc Riotinto Australia Limited, who came from Melbourne to assume the presidency until such time as a permanent successor was chosen.

In October, Hugh R. Snyder became President and Chief Executive Officer. Mr. Snyder was, earlier in his career, Manager of Corporate Development with Brinco and we welcome him back as President and head of Brinco's management team.

As a result of the sale in 1974 to the Newfoundland Government of your Company's interest in Churchill Falls (Labrador) Corporation Limited and the subsequent purchase by the Company of its own stock, the Canadian ownership interest in the Company decreased to 9%. It has become increasingly clear over the past few years that the Canadian content of the Company must be increased to enable it to compete more effectively in the resource industry in Canada. This will mean increased Canadian participation at the shareholding level, and I have encouraged management to investigate any reasonable means of achieving this objective.

Also, it has been decided that the time has now come for a re-organization of the Board, and in particular to appoint a Canadian Chairman. Accordingly, Mr. R. B. Dale-Harris, who is being proposed for election to the Board at the Annual General Meeting will, if

elected, be appointed Chairman of the Company, as my successor. Mr. Dale-Harris was, until recently, Senior Partner in the Toronto Office of Coopers & Lybrand.

In addition to Mr. Dale-Harris, there are two further new candidates standing for election to the Board — Mr. A. G. Frame, Vice Chairman and Chief Executive of The Rio Tinto-Zinc Corporation Limited, and the Honourable Donald R. Getty, until recently the Minister for Energy and Natural Resources in the Alberta Government. These gentlemen will, I am sure, make substantial contributions to the Company.

Four of your present directors will not be seeking re-election, namely Mr. George Baker, Mr. Jean-Paul Gignac, Mr. Sam Harris and Mr. Edmund de Rothschild. I would like to pay tribute to the work that these gentlemen have done during their many years on your Board and to thank them for the services they have rendered. They will be greatly missed by the many friends they have made during the course of their association with the Company. I would like to make particular mention of Mr. Edmund de Rothschild, whose firm, N. M. Rothschild & Sons Ltd., was responsible for the creation of Brinco in 1953, and who was one of the original directors of the Company. His enthusiasm and determination to succeed contributed in no small measure to the development of the Churchill Falls power project, the largest hydro-electric power project ever brought into being by private enterprise. Your Board has decided to record its appreciation of his service by appointing him Honorary Life Vice-President of the Company.

A handwritten signature in dark ink, reading "Mark Turner". The signature is fluid and cursive, with a horizontal line drawn underneath the name.

MARK TURNER  
Chairman



## President's Report to the Shareholders



Hugh R. Snyder

### Financial Results — 1978

Net earnings in 1978 were \$1,662,000 compared to a net loss of \$681,000 in 1977. Included in 1978 net earnings is an extraordinary gain of \$1,576,000 relating to the issue of common shares by Coseka Resources Limited to acquire Taiga Resources Limited. The Company's equity in the net income of Coseka amounted to \$799,000 for 1978 (\$200,000 for 1977).

Total expenditures for 1978 were \$6,172,000 (\$9,465,000 for 1977) and working capital at December 31, 1978 was \$44,757,000 compared to \$47,049,000 at December 31, 1977.

### Activities and Investments — 1978

#### Kitts-Michelin Uranium Project, Labrador

During 1978, \$1,600,000 was spent on this project. In the first instance, these expenditures were directed to evaluating the feasibility of exploiting on a reduced scale the small, high grade Kitts deposit at a rate of 450,000 lbs  $U_3O_8$  per year and later, to completing documentation on the exploitation of the full scale Kitts-Michelin project at a steady state operating rate of 1.9 million lbs  $U_3O_8$  per year, prior to a full scale marketing effort to be launched in 1979. This marketing effort will be directed towards selling the production forward, a necessary pre-condition to financing the project.

Work done during the year indicated that Kitts alone could be profitably exploited, given the availability of custom milling capacity. However, it was decided that this option should

be followed only in the event that the larger combined Kitts-Michelin project proved to be impossible to finance.

#### Abitibi Asbestos Mining Company Limited

Expenditures incurred in 1978 by this 60% owned subsidiary were about \$350,000, through funds provided by bank borrowings.

Half of these expenditures were attributable to overhead and interest costs, while the balance was directed towards a 3,500 foot drilling program designed to test magnetic anomalies in the vicinity of the "A" zone, as well as to protect land positions. The limited drilling program indicated the presence of serpentinized bedrock, which contained asbestos mineralization, but in non-commercial quantities. The company's consultant has recommended additional drilling to test further the asbestos environments thus located.

#### Coseka Resources Limited

Brinco owns 2,565,649 (approximately 25%) of the outstanding common shares of Coseka Resources Limited. Coseka's earnings declined marginally to \$3.49 million in 1978 from \$3.56 million in 1977; however, cash flow from operations increased from \$5.94 million to \$6.14 million.

Land holdings were greatly expanded from 193,065 net acres to 302,300 net acres, largely through the acquisition of Taiga Resources



# Brinco

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Coseka Well drilling in the Foothills, Southwestern Alberta.

Limited, and its wholly-owned United States subsidiary Taiga Energy Inc., of Denver, Colorado. Drilling activity was slightly down in Canada in 1978 compared to 1977 (24.38 net wells compared with 26.94 net wells) and significantly up in the United States (41.77 net wells compared with 31.94 net wells). This resulted in a total of 29.4 net gas wells and 6.7 net oil wells completed in Canada and the United States in 1978.

## Exploration

A total of \$2.5 million was expended by Brinco and its associated companies on exploration projects whilst the Company was exposed to total exploration expenditures of \$4.8 million. Exploration continued to be concentrated on uranium but a significant effort was devoted to lead-zinc and other base metals.

A schedule of projects in which the Company is involved, including the names of the Company's joint venture partners and the expenditures incurred, appears at the end of this report.

Exploration in concession Areas A and B in Labrador was particularly encouraging and resulted in high grade boulder discoveries at Melody Hill (up to 18%  $U_3O_8$ ), and at Mustang Lake (up to 6%  $U_3O_8$ ), both within a 7 mile radius of Michelin, and bedrock and boulder discoveries of moderate grade (up to 0.5%  $U_3O_8$ ) at McLean Lake, approximately 18 miles east of Michelin. Diamond drilling will commence shortly at Melody Hill and the other occurrences will be examined in greater detail during the summer months of 1979.

The introduction of the Mineral Holdings Impost Act by the Government of Newfoundland and Labrador which increased substantially the cost of holding land, necessitated a geological appraisal of the substantial concession areas held by Brinex under the Principal and Statutory Agreements. As a consequence, more than 18,000 square miles of concession lands were surrendered at the end of 1978. Brinex continues to hold approximately 7,100 square miles of concession areas in Newfoundland and Labrador under the Principal and Statutory Agreements.

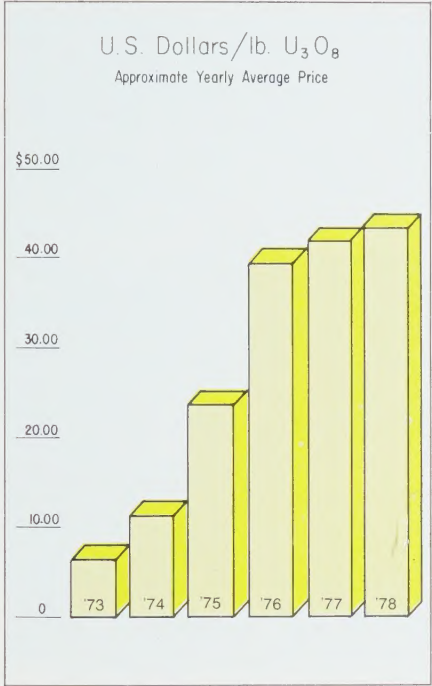
## Perspective and 1979 Plan

Expenditure levels have continued to erode the Company's net working capital position, and to achieve economies while ensuring that the Company has the right skills and experience available to it to assume an operator's role in both the mining and oil and gas industries in Canada, the Company has made a number of management changes at the senior level.

Mr. J. C. O'Rourke, who has held a number of senior operating positions in the mining industry in western Canada, has been appointed Vice-President, Mining. Mr. T. H. Lewis, previously with the Energy Department of Rio Tinto-Zinc Corporation in London, assumes the combined responsibility of Treasurer & Manager of Corporate Development.

The immediate corporate objectives are to bring the Kitts-Michelin uranium project to a financeable





Nuexco Uranium Prices  
1973 - 1978

state and to establish an exploration/operating presence in the Canadian oil and gas industry. Based on present calculations and studies, the Kitts-Michelin uranium project would be a relatively high cost producer compared to the very high grade and, therefore, potentially low cost reserves recently found in Saskatchewan and Australia. However, this disadvantage is offset, in part at least, by the location of the project in eastern Canada in an undeveloped area with severe unemployment conditions, and with access to one of the best mining labour markets in the country. Also, the location of a number of highly prospective uranium occurrences in the general area suggest excellent potential for extending existing reserves, thereby lowering the capital cost per pound of product available and providing an additional long-term source of supply to a customer, increasingly a key consideration in fuel planning strategy for utilities.

In 1973 the Company, recognizing the potential of the oil and gas industry, purchased common shares and convertible debentures of Coseka Resources Limited. The latter were subsequently converted to common stock of that company, and Brinco currently holds approximately 25% of the outstanding equity of Coseka.

Since then, the oil and gas sector of the Canadian resource industry has enjoyed unprecedented growth which is likely to continue in the future albeit at a reduced rate. The Company is evaluating a number of ways in which it might take a direct

operating interest in this industry and thus put to work in a more effective manner the net working capital at its disposal.

Exploration expenditures will be curtailed in 1979, but activity levels will be maintained through joint venturing of properties which are being explored by the Company. The emphasis in 1979 will remain on uranium — particularly on the follow-up of the very encouraging results obtained in the Labrador concession Areas A and B.

HUGH R. SNYDER  
President and Chief Executive Officer

# Special Report: Geology and Reserves in the Labrador Uranium Area

Uranium has been discovered in three belts in a region of favourable geology in east-central Labrador stretching from Seal Lake in the southwest to the Atlantic coastline at Aillik, a distance of approximately 130 miles. Brinex has exclusive prospecting rights over most the the region which has been the subject of intermittent exploration since 1955, when Brinex first discovered uranium in Labrador. After the signing of the Urangesellschaft joint venture agreement in 1966, much of Brinex's exploration has been concentrated in the central part of the region (areas A and B on the accompanying map).

The uranium occurs in bedded Proterozoic rocks of largely volcanic origin which have been folded so that the uraniferous horizons now occur as moderately to steeply dipping tabular deposits. The uranium occurrences are mineralogically simple and pose no exceptional metallurgical problems. Most contain the uranium mineral pitchblende or uraninite as the only visible metallic mineral other than iron oxides or sulphides. Minor amounts of copper, lead, zinc and molybdenite are present and two small occurrences have an appreciable silver content.

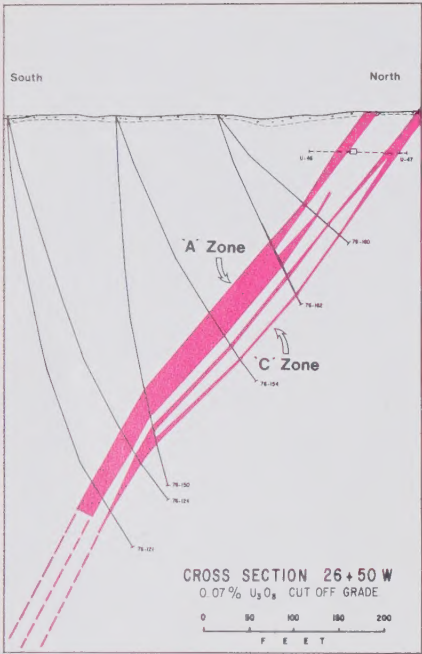
Two main occurrences, the Kitts and the Michelin deposits, have been explored in detail by both surface drilling and underground work. The indicated and inferred minable reserves, adjusted for dilution and mining recovery, are shown below.

The main mineralized zones at Michelin have been drilled to a depth of 850 feet. Geological interpretation suggests that the mineralization continues at depth and could yield an additional 1.3 million lbs. U<sub>3</sub>O<sub>8</sub> for each 100 ft. vertical extension. The Kitts deposit does not appear to have significant additional reserve potential.

There is potential for economic development of other known showings in the Kitts belt but on present geological knowledge, these could only be "satellites" to a central mining operation.

In 1978 detailed geological mapping and prospecting was concentrated within a 20-mile radius of Michelin and potentially significant boulder trains were discovered at Mustang Lake with grades up to 6% U<sub>3</sub>O<sub>8</sub>. Prospecting also showed that the previously known occurrence in the McLean Lake area may have more potential than realized and grades of approximately 0.5% U<sub>3</sub>O<sub>8</sub> have been established in outcrop and talus.

At Melody Hill, a train of radioactive boulders ranging in grade from 2% to 18% U<sub>3</sub>O<sub>8</sub> was located in 1978. Geophysical surveys subsequently delineated two drill targets at the coincidence of geological and geochemical anomalies and diamond drilling will commence shortly. A large number of lower grade boulders and two outcrops of a similar low grade nature have also been found.



Michelin Deposit

	Short tons	Grade lbs. U <sub>3</sub> O <sub>8</sub> /ton	Total lbs. U <sub>3</sub> O <sub>8</sub>
Kitts	259,030	11.43	2,961,000
Michelin	7,181,000	2.40	17,234,000
			<u>20,195,000</u>





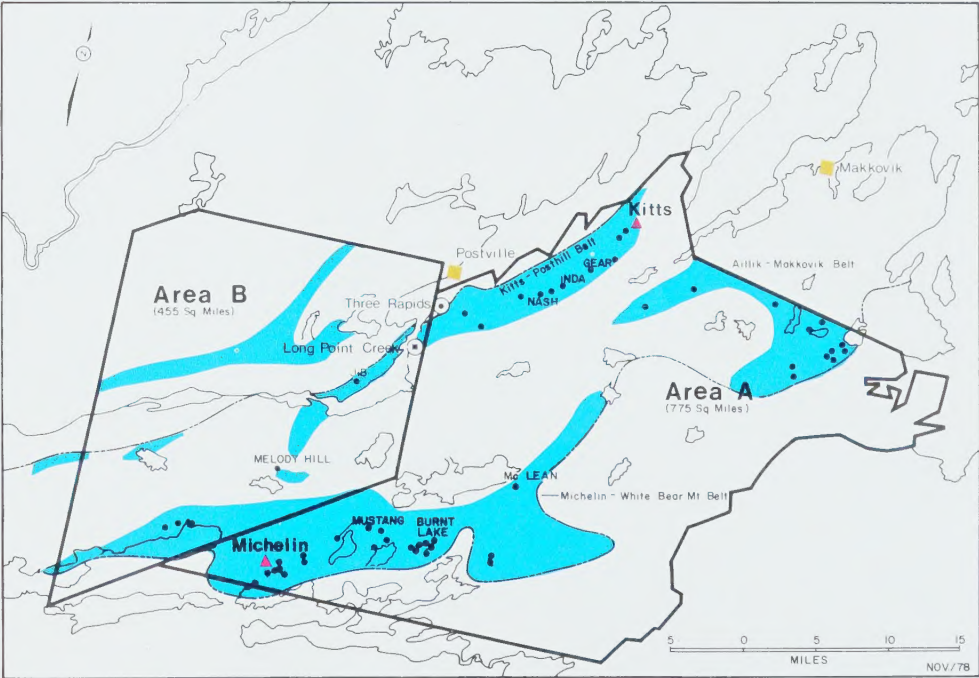
Helicopter Support for Labrador Uranium Exploration Crews

In the Moran Lake area to the southwest of areas A and B where Brinex is in partnership with Canico Ltd., and Riofinex, airborne radiometric and magnetometer surveys of selected areas resulted in several new discoveries of radioactive outcrops and boulders. To the northeast in the Aillik area, in a joint venture with Placer Development Ltd. airborne radiometric and VLF surveys together with silt sampling, geological mapping and

geophysics were carried out. Detailed ground follow-up of anomalous areas is planned for 1979.

*Peter H. Grimley*

PETER H. GRIMLEY  
Vice-President Exploration



East-Central Labrador Uranium Belts

LEGEND

- EXISTING COMMUNITIES
- ▲ ESTABLISHED RESERVES
- URANIUM SHOWINGS
- FAVOURABLE STRATIGRAPHY
- BOUNDARY OF CENTRAL LABRADOR MINERAL BELT



# Brinco

LIMITED and subsidiaries

## Consolidated Balance Sheet

as at December 31, 1978  
(with comparative figures for 1977)

	<u>1978</u>	<u>1977</u>
<b>Assets</b>		
Current assets:		
Cash and short-term investments	<b>\$ 44,514,000</b>	\$ 46,851,000
Accrued interest	<b>1,002,000</b>	412,000
Accounts receivable	<b>580,000</b>	1,683,000
Supplies and prepaid expenses	<b>156,000</b>	223,000
Total current assets	<b>46,252,000</b>	49,169,000
Investments:		
Coseka Resources Limited — at equity (note 2)	<b>10,079,000</b>	7,704,000
Other (note 3)	<b>15,000</b>	165,000
Total investments	<b>10,094,000</b>	7,869,000
Long term advances (note 4)	<b>572,000</b>	438,000
Fixed assets (note 5)	<b>512,000</b>	517,000
Expenditures on projects (note 6):		
Abitibi asbestos	<b>13,356,000</b>	13,174,000
Labrador uranium	<b>8,171,000</b>	6,571,000
Other	<b>122,000</b>	113,000
Total expenditures on projects	<b>21,649,000</b>	19,858,000
	<b>\$ 79,079,000</b>	\$ 77,851,000
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	<b>\$ 620,000</b>	\$ 1,600,000
Bank loan	<b>875,000</b>	520,000
Total current liabilities	<b>1,495,000</b>	2,120,000
Deferred income taxes	<b>1,436,000</b>	1,251,000
Minority interest in subsidiary company	<b>3,374,000</b>	3,437,000
Shareholders' equity (note 7)	<b>72,774,000</b>	71,043,000
	<b>\$ 79,079,000</b>	\$ 77,851,000

On behalf of the Board:

Sir Mark Turner, Director

Hugh R. Snyder, Director

See accompanying notes.



**Consolidated  
Statement of Earnings  
and Retained Earnings**

year ended December 31, 1978  
(with comparative figures for 1977)

	<u>1978</u>	<u>1977</u>
Income:		
Income from short-term investments	<b>\$ 3,812,000</b>	\$ 3,771,000
Income from debentures of Coseka Resources Limited	<u>—</u>	<u>179,000</u>
	<b>3,812,000</b>	<u>3,950,000</u>
Expenses:		
Administrative	<b>1,597,000</b>	2,645,000
Interest on bank loan	<b>65,000</b>	31,000
Depreciation and amortization	<b>126,000</b>	166,000
Exploration expenditures and other costs related to natural resources — net (note 9)	<b>2,466,000</b>	2,036,000
Provision for loss in value of investment (note 3)	<u>150,000</u>	<u>—</u>
	<b>4,398,000</b>	<u>4,878,000</u>
Loss before items set out separately below	<b>( 586,000)</b>	( 928,000)
Income taxes	<u>185,000</u>	<u>30,000</u>
	<b>( 771,000)</b>	( 958,000)
Equity in net income of Coseka Resources Limited (note 2)	<u>799,000</u>	<u>200,000</u>
	<b>28,000</b>	( 758,000)
Extraordinary item:		
Reduction in income taxes due to utilization of exploration and other costs expensed in prior years	<u>—</u>	<u>30,000</u>
Increase in book value of investment in Coseka Resources Limited (note 2)	<b>1,576,000</b>	<u>—</u>
	<b>1,604,000</b>	( 728,000)
Minority interest in loss of subsidiary	<u>58,000</u>	<u>47,000</u>
Net earnings (loss) (note 10)	<b>1,662,000</b>	( 681,000)
Retained earnings at beginning of year		
As previously reported	<b>65,871,000</b>	66,552,000
Reassessment of prior years income taxes	<b>( 271,000)</b>	( 271,000)
	<u>65,600,000</u>	<u>66,281,000</u>
As restated	<b>67,262,000</b>	65,600,000
Transfer of retained earnings to paid up capital (note 7)	<b>(35,400,000)</b>	<u>—</u>
Retained earnings at end of year	<b>\$31,862,000</b>	<u>\$65,600,000</u>

See accompanying notes.



# Brinco

LIMITED and subsidiaries

**Consolidated  
Statement of Changes  
in Financial Position**  
year ended December 31, 1978  
(with comparative figures for 1977)

	<u>1978</u>	<u>1977</u>
Source of funds:		
Proceeds from issue of common shares	\$ 68,000	\$ —
Proceeds from sale of investments	—	39,000
Total funds provided	<u>68,000</u>	<u>39,000</u>
Use of funds:		
Loss before equity in net income of Coseka Resources Limited and extraordinary item	771,000	958,000
Items not affecting working capital during the year:		
Depreciation and amortization	120,000	166,000
Provision for loss in value of investment	150,000	—
Loss on disposal of fixed assets	—	111,000
Deferred income taxes	185,000	30,000
Other	9,000	5,000
Funds used in operations	<u>307,000</u>	<u>646,000</u>
Project expenditures:		
Abitibi asbestos	182,000	154,000
Labrador uranium	1,600,000	3,477,000
Other	22,000	71,000
Investment in shares of Coseka Resources Limited	—	383,000
Long term advances — net	134,000	438,000
Purchase of fixed assets — net	115,000	346,000
Total funds used	<u>2,360,000</u>	<u>5,515,000</u>
Decrease in working capital	2,292,000	5,476,000
Working capital at beginning of year	47,049,000	52,525,000
Working capital at end of year	<u>\$44,757,000</u>	<u>\$47,049,000</u>

See accompanying notes.



**Notes to the  
Consolidated Financial  
Statements**  
as at December 31, 1978

**1. Summary of Significant Accounting Policies:**

The financial statements have been prepared following accounting principles generally accepted in Canada.

The principal accounting policies of the Company and its subsidiaries are summarized hereunder.

**Basis of Consolidation:**

The consolidated financial statements include the accounts of the Company and all its subsidiary companies. The active subsidiaries and the Company's ownership therein are as follows:

	Ownership
British Newfoundland Exploration Limited ("Brinex")	100%
Union Holdings Incorporated	100%
Abitibi Asbestos Mining Company Limited ("Abitibi")	60%

**Investments in Other Companies:**

Investments in other companies are carried at cost, less amounts written off, where appropriate, until such time as the holdings are deemed to enable the Company to exercise significant influence whereupon the equity method of accounting for the investment is adopted.

**Exploration and Project Expenditures:**

Exploration expenditures and costs related to the investigation of possible investments in natural resources are charged to income as incurred, net of recoveries from joint venture partners. Project expenditures, net of recoveries from partners, are carried forward as assets so long as the projects are considered to be of value. The costs of such projects are written off in the event of abandonment or are subject to depreciation and amortization when the projects are put into operation.

**Depreciation and Amortization:**

Depreciation of fixed assets and leasehold improvements is provided generally on the straight line basis over the estimated service lives of the assets or terms of the leases. The costs of fixed assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and the resulting gain or loss reflected in income or project costs as appropriate.

**Income Taxes:**

Tax allocation procedures are followed, except that no recognition is given in the accounts to the possible future tax reduction which may be realized through the deduction in determining taxable income in future years of unclaimed amounts of depreciation, exploration and preproduction expenditures and losses available for carryforward. The reduction in income taxes resulting from the application of such unclaimed deductions and losses carried forward is reflected as an extraordinary item in the years in which the tax reduction is realized.

**Foreign Exchange:**

Current assets and liabilities arising in currencies other than Canadian dollars are translated at exchange rates in effect at balance sheet dates; all other assets, liabilities, revenues and expenses are translated at rates in effect at dates of transactions. Any gain or loss on exchange resulting from conversion or translation of foreign currency balances is reflected in the consolidated statement of earnings.

**2. Investment in Coseka Resources Limited ("Coseka"):**

The Company owns more than 20% of the outstanding common shares of Coseka and accordingly the equity method of accounting for the investment has been



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## LIMITED and subsidiaries

adopted. The excess of cost of shares over equity in net assets of Coseka of \$1,763,000 is being amortized over a forty-year period by charges against the Company's share of Coseka's net income. The amortization amounted to \$44,000 for 1978 (\$9,000 for 1977).

During 1978, Coseka issued additional common shares to acquire a 100% interest in Taiga Resources Limited. As a result, the book value of Brinco's share of the consolidated net assets of Coseka increased by \$1,576,000 and this increase has been included in earnings as an extraordinary item.

The Company has the right until 1982 to participate in any equity financing by Coseka.

The quoted market value of the investment in common shares of Coseka as at December 31, 1978 was \$14,111,000 (\$5.50 per share) and as at December 31, 1977 was \$21,167,000 (\$8.25 per share).

### 3. Other Investments:

	<u>1978</u>	<u>1977</u>
Investments, at cost	\$ 294,000	\$ 294,000
Provision for loss in value	<u>279,000</u>	<u>129,000</u>
	\$ 15,000	\$ 165,000
Quoted market value	<u>\$ 18,000</u>	<u>\$ 55,000</u>

### 4. Long Term Advances:

The advances are employee housing assistance loans including amounts due from officers amounting to \$299,000.

### 5. Fixed Assets:

	<u>1978</u>	<u>1977</u>
Buildings and equipment, at cost	\$ 972,000	\$ 949,000
Leasehold improvements, at cost	<u>450,000</u>	<u>418,000</u>
	1,422,000	1,367,000
Accumulated depreciation and amortization	<u>914,000</u>	<u>854,000</u>
	508,000	513,000
Land, at cost	<u>4,000</u>	<u>4,000</u>
	\$ 512,000	\$ 517,000

### 6. Expenditures on Projects:

Satisfactory commercial arrangements leading to development and recovery of project costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

During 1978 discussions continued between Abitibi, the Province of Quebec and a major asbestos producer concerning their participation in the development of the asbestos deposit.

The expenditures on the Labrador uranium project are net of recoveries from a partner.

## 7. Shareholders' Equity:

	<u>1978</u>	<u>1977</u>
Capital stock	<b>\$111,422,000</b>	\$ 75,953,000
Retained earnings	<b>31,862,000</b>	65,600,000
	<b>143,284,000</b>	141,553,000
Less cost of common shares purchased pursuant to the 1974 tender offer to shareholders	<b>70,510,000</b>	70,510,000
	<b><u>\$ 72,774,000</u></b>	<b><u>\$ 71,043,000</u></b>

Common shares, without nominal or par value, authorized, issued and outstanding at December 31, were:

	<u>1978</u>	<u>1977</u>
Authorized	<b>35,000,000</b>	35,000,000
Issued and fully paid	<b>24,626,585</b>	24,609,485
Less held in treasury as Class A shares	<b>9,973,067</b>	9,973,067
	<b><u>14,653,518</u></b>	<b><u>14,636,418</u></b>

During 1978, the 9,973,067 shares purchased pursuant to the 1974 tender offer to shareholders and held in treasury were deemed by legislation to be a separate class of shares designated as Class A shares. While these shares are held by or on behalf of Brinco Limited they do not carry the right to any payment or other distribution made in respect of the common shares of the Company. However, upon the sale of such Class A shares, they revert to their former status as common shares.

To preserve the capital nature of its 1971 Capital Surplus on Hand (as that term is presently defined in the Income Tax Act of Canada) the Company has transferred \$35,400,000, representing almost all of its 1971 Capital Surplus on Hand, from retained earnings to the paid-up capital attributable to the Company's issued common shares.

## 8. Stock Options:

Under the Company's 1975 stock option plan, 200,000 common shares have been set aside for issuance. At December 31, 1978, options were outstanding on 94,500 shares (including 73,500 to officers) at \$4 and \$7 per share exercisable until September 1, 1981 and August 31, 1983 respectively and 88,400 shares remained available for issue.

During 1978, options were exercised on 17,100 shares at \$4 per share and additional options on 50,000 shares were granted at \$7 per share.

## 9. Exploration Expenditures:

Exploration expenditures are net of recoveries from joint venture partners of \$732,000 (1977 — \$1,357,000).



# Brinco

LIMITED and subsidiaries

## 10. Earnings (Loss) per Share:

	1978	1977
Earnings (loss) per share before extraordinary item	.6¢	(4.9¢)
Extraordinary item	10.7	.2
Net earnings (loss) per share for the year	<u>11.3¢</u>	<u>(4.7¢)</u>

The calculation of net earnings (loss) per share has been made using the weighted average number of common shares outstanding, less shares held in treasury, during the respective years. There would be no material dilution of net earnings per share if the outstanding options were exercised.

## 11. Commitments:

In 1953, the Government of Newfoundland and the Company entered into an agreement (the "Principal Agreement") whereby the Company was granted options on extensive natural resource concessions within the Province of Newfoundland. Under the terms of the Principal Agreement, as amended, the Company is obligated to pay the Government of Newfoundland an annual rental equal to 8% of the consolidated net profits before income taxes (as defined) of the Company and its subsidiary companies resulting from the operations of the concessions and rights retained under the Principal Agreement.

The Company leases office accommodation which require annual rental payments of \$177,000 to 1982 and \$195,000 to 1987.

## 12. Income Taxes:

For income tax purposes, the Company and its subsidiaries claim as deductions, depreciation and exploration and development expenditures sufficient to offset income which would otherwise be taxable. As at December 31, 1978 depreciation and amounts written off since the commencement of operations exceed allowances claimed for tax purposes by \$15,400,000. Also, the Company and its subsidiaries have unclaimed earned depletion allowances of \$10,200,000 which are available for offset against future resource profits.

In addition, the Company and its subsidiaries have business losses of approximately \$2,200,000 (of which \$1,400,000 expire by 1980) and capital losses of approximately \$2,000,000 carried forward for income tax purposes.

## 13. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid or payable for the year by the Company and its subsidiaries to the directors and senior officers amounted to \$508,000 (\$522,000 in 1977).

**Auditors' Report  
to the Shareholders**

We have examined the consolidated balance sheet of Brinco Limited as at December 31, 1978 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mississauga, Canada  
March 1, 1979

Peat, Marwick, Mitchell & Co.  
Chartered Accountants



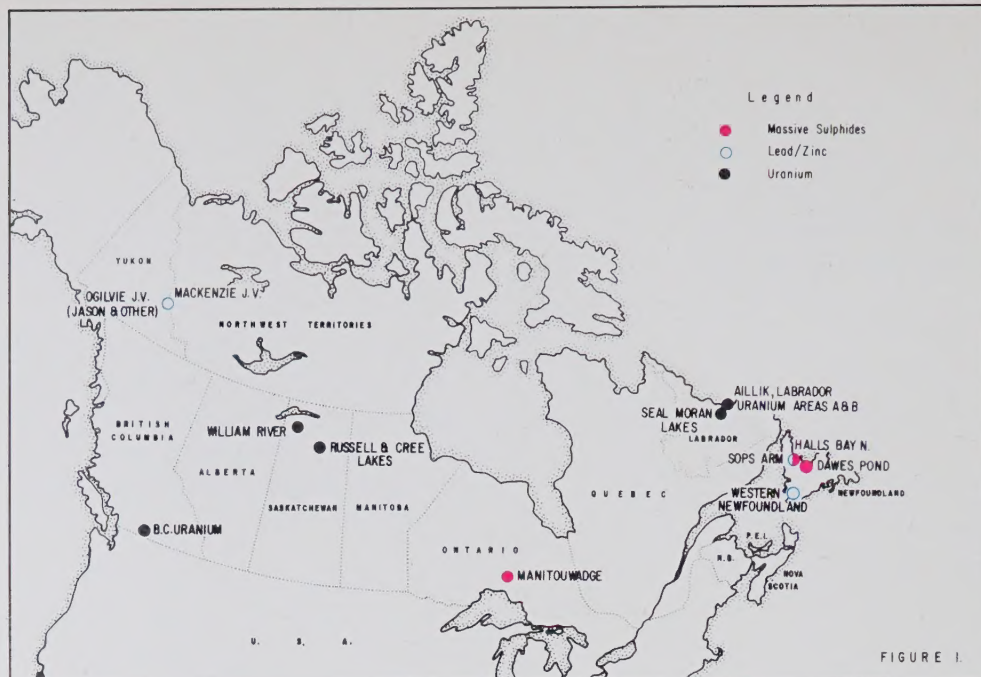


FIGURE 1.

**British Newfoundland Exploration Limited  
Exploration Projects 1978**

Project	Location	Commodity	Partners	1978 Expenditures (\$'000's)
Aillik	Labrador	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Placer Development Limited	50% 50%
*Areas A & B	Labrador	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Urangesellschaft Canada Limited	60% 40%
Moran/Seal Lake	Labrador	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Rio Tinto Finance & Exploration Limited Canadian Nickel Company Limited	25% 25% 50%
Western Labrador	Labrador	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Rio Tinto Finance & Exploration Limited	50% 50%
Hall's Bay North	Newfoundland	Massive sulphides	British Newfoundland Exploration Limited Labrador Mining and Exploration Company Limited	40% 60%
Dawes Pond	Newfoundland	Massive sulphides	British Newfoundland Exploration Limited	100%
Western Newfoundland Pb/Zn	Newfoundland	Pb/Zn	British Newfoundland Exploration Limited Rio Tinto Finance & Exploration Limited Freeport Canadian Exploration Company	50% 40% 10%
Sops Arm	Newfoundland	Pb/Zn	British Newfoundland Exploration Limited Noranda Exploration Company, Limited	25% 75%
Grand Lake	Newfoundland	Massive sulphides	British Newfoundland Exploration Limited Hudson's Bay Oil and Gas Limited	30% 70%
Cape Ray	Newfoundland	Au	British Newfoundland Exploration Limited Rio Tinto Canadian Exploration Limited	10.5% 89.5%
Manitouwadge	N. Ontario	Massive sulphides	British Newfoundland Exploration Limited	100%
Russell Lake	Saskatchewan	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Saskatchewan Mining Development Corporation Rio Tinto Finance & Exploration Limited	25% 50% 25%
Cree Lake	Saskatchewan	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Saskatchewan Mining Development Corporation Rio Tinto Finance & Exploration Limited	25% 50% 25%
William River	Saskatchewan	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited Saskatchewan Mining Development Corporation Rio Tinto Finance & Exploration Limited	42.5% 15% 42.5%
Ogilvie (Jason)	Yukon	Pb/Zn	British Newfoundland Exploration Limited Ogilvie Mineral Corporation Mitex Mines Limited	48% 34% 18%
Ogilvie (Other)	Yukon	Pb/Zn	British Newfoundland Exploration Limited AM&S Canada Minerals Ltd. Ogilvie Mineral Corporation Mitex Mines Limited	48% 34% 18%
B.C. Uranium	British Columbia	U <sub>3</sub> O <sub>8</sub>	British Newfoundland Exploration Limited D.G. Leighton & Associates Ltd. PanCanadian Petroleum Oil Limited Scurry-Rainbow Oil Limited	30% 30% 20% 20%
Mackenzie J.V.	Yukon	Pb/Zn	British Newfoundland Exploration Limited AM&S Canada Minerals Ltd. Clyde L. Smith	48% 32% 20%
<b>Union Holdings</b>				
M.E.U.	U.S.A.	U <sub>3</sub> O <sub>8</sub>	Union Holdings Incorporated Urania Exploration, Inc. Pikes Peak Corporation Texasgulf Inc.	30% 30% 30% 10%

4,753.5

\* Excludes Project Expenditures





